



Jeanne Min <jeanne.min@lacity.org>

Living Wage -- Small hotel owners

1 message

Veronica Perez <vp@veronicaperez.com>

Wed, Jun 11, 2014 at 12:10 PM

To: Jeanne Min <jeanne.min@lacity.org>

Hi Jeanne! As stated in my message to you, I represent the Small Hotel Coalition for Jobs. My clients are basically small (100-150 room hotels), family-owned hotels that are seeking to increase the room threshold of application for any ordinance that passes. I have attached the letter with our position. I believe that this item could come to Council as early as next week.

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Thank you for your consideration and I look forward to chatting with you further!

Veronica



Veronica Perez

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2 attachments



LWO_Small Hotel Coalition for Jobs Letter.pdf
2340K



Hotel List.pdf
3003K

SMALL HOTEL COALITION FOR JOBS

325 West 8th Street, Suite 901, Los Angeles, CA 90014
(213) 221-7161

VIA ELECTRONIC MAIL

March 25, 2014

The Honorable Curren Price
Chair, Economic Development Committee
Los Angeles City Hall
200 North Spring Street, Room 420
Los Angeles, CA 90012

Re: Proposed Living Wage Ordinance; Council File 14-0223

Dear Councilmember Price:

This letter is submitted on behalf of the “Small Hotel Coalition for Jobs,” a group of hotel owners who are concerned about the potential negative impacts the proposed living wage ordinance will have on small hotels. We share your goal of reducing income disparity, and applaud your efforts to solicit and incorporate stakeholder input at such an early juncture. However, we have strong concerns about the singling out of one industry for this heavy mandate that we understand would immediately nearly *double* the current minimum wage.

Before moving this proposal forward, we do agree that a study of its economic impacts is absolutely imperative. The city must recognize that small hotels – those under 200 rooms – operate under a completely different economic reality than the larger, often publicly- or syndicate-owned corporate hotels in Los Angeles. Many are independent, family-owned businesses that provide a quality work environment – good wages, health benefits, and generous bonuses. This, in turn, has resulted in many long-term satisfied employees. A one-size-fits-all model is rarely successful in a city as diverse as Los Angeles. Thus, in the economic impact study, *we ask that you pay special attention to the issues we’ve identified that are unique to small hotel owners and consider increasing the 100-room threshold, or come up with an alternative method of determining to which hotels the new policy will apply, if any.*

I. Large Corporate Hotels vs. Small Independent Hotels: Economies of Scale

The average hotel size in the City of Los Angeles is 326 rooms, and most are affiliated with larger, public corporations. Hotels with high room capacity generally benefit from economies of scale which allow them to efficiently distribute fixed costs. They are able to share resources and materials, and the result is a lower product cost. Smaller, independent hotels lack such economies of scale. Small hotels operate under a different business model, and any substantial cost increase must be made up elsewhere.

II. Loss of Jobs, Reduced Work Hours

Without an exemption, small hotel owners will be forced to cut costs to make ends meet. Many of these hotels operate on very tight profit margins, and any increase in the cost of labor threatens this delicate balance. Unfortunately, the likely result will be a loss of jobs, reduced work hours, more outsourcing, and fewer services provided to guests. For the city, this equates to more unemployment, less tax revenue and fewer consumers. This strategy is counterproductive, and hurts the families the city is trying to help. Our coalition is available to meet with the individuals who are preparing the economic impact study to provide more detailed information about these impacts, among others.

III. Tipped Employees and the Ripple Effect on Salaries

In addition, the proposed wage increase does not take into consideration that many tipped employees already make well over \$15.37 an hour with tips. This will cause a devastating ripple effect on salaries – adding even more costs to hotels. If passed, tipped hourly employees will earn more than shift supervisors with more seniority or other employees with more advanced skill sets. This creates personnel problems that can only be solved by increasing managerial level salaries as well. This is financially infeasible and could lead to unintended consequences. This ripple effect will occur with non-tipped employees as well.

IV. Increased Costs Cannot be Recouped with Higher Room Rates

Despite prevailing beliefs, substantially increased operating costs cannot simply be passed onto consumers. Small hotels will not be able to recoup these costs with higher room rates because it will put them at a significant disadvantage versus others in their competitive set. If owners do decide to increase room rates, they will likely price themselves out of the market and consumers will head to hotels in City of Los Angeles adjacent communities such as West Hollywood, Santa Monica, Marina Del Rey, Pasadena, Burbank, Glendale, El Segundo, Torrance and Simi Valley, which are not subject to wage ordinances of this kind. It is important that these issues, and pricing vis-a-vis cities adjacent to Los Angeles, be carefully studied.

In addition, an arbitrarily set 100-room threshold will put small hotels in the 100-200 room category at a competitive disadvantage with small hotels under 100 rooms. Those in the latter category will not have to raise room rates to offset wage increases and will take market share away from other small hotels in the City.

V. Reduction of Hotel Development

Another issue to consider is the potential reduced development of hotels in the 100-room range, such as adaptive reuse projects vital to Downtown's renaissance and other independent hotels throughout the City. If projects do not "pencil out" in Los Angeles, adjacent communities will once again reap the benefits of our high cost of doing business. Los Angeles will be hurt as more hoteliers choose to develop elsewhere. Permanent and construction jobs will be lost as well as an ongoing revenue stream of Transient Occupancy Tax the city would otherwise collect.

Conclusion

Finally, this proposal may bring about the unintended consequence of minimizing job opportunities for youth. The hotel industry accounts for a large majority of seasonal and temporary jobs for young workers, and hotel owners will be inclined to hire more experienced workers at such a high starting wage. We strongly urge you to carefully examine these important issues, and be mindful of the impact this proposal will have on small hotels in the City. We thank you for your consideration and the opportunity to continue working with you.

Sincerely,

A handwritten signature in cursive script that reads "Veronica Perez".

Veronica Perez
Small Hotel Coalition for Jobs

Cc: The Honorable Paul Krekorian
The Honorable Jose Huizar
The Honorable Gil Cedillo
The Honorable Nury Martinez
John Wickham, Chief Legislative Analyst's Office
Richard Williams, Office of the City Clerk

Starting Job Wages: 70.55
 Total Wages: 541.09
 Total Wages: 515.37

Council District	Apprentice, Hotel Resident, and District Workers	Percent Share of Total Hotel Workers	Total Hotels with 100+ Rooms	Union Hotels 100+ Rooms	District's Proportionate Share of Union Workers in 100+ Hotels	District's Proportionate Share of Non- Union Workers in 100+ Hotels	Additional Annual Increase of Wages	Amount Spent Locally (\$100 of Increase)
1	103	6.43%	3	0	0.00%	54.00%	\$5,400.00	\$5,400.00
2	2210	66.33%	5	0	0.00%	54.00%	\$5,400.00	\$5,400.00
3	1740	51.78%	5	0	0.00%	54.00%	\$5,400.00	\$5,400.00
4	1008	30.86%	4	0	0.00%	54.00%	\$5,400.00	\$5,400.00
5	1855	54.07%	4	1	25.00%	10.21%	\$2,824.17	\$2,824.17
6	2594	76.95%	12	4	33.33%	58.71%	\$4,180.73	\$4,180.73
7	2456	72.88%	9	0	0.00%	75.41%	\$5,400.00	\$5,400.00
8	2237	66.82%	6	0	0.00%	72.22%	\$5,333.75	\$5,333.75
9	1924	56.82%	7	2	28.57%	45.71%	\$5,333.75	\$5,333.75
10	1813	53.35%	3	2	66.67%	33.33%	\$5,333.75	\$5,333.75
11	2714	80.76%	1	1	100.00%	0.00%	\$5,400.00	\$5,400.00
12	2436	72.29%	20	4	20.00%	79.29%	\$4,089.52	\$4,089.52
13	1861	54.85%	5	0	0.00%	65.33%	\$4,094.00	\$4,094.00
14	2311	68.35%	6	0	0.00%	71.67%	\$5,400.00	\$5,400.00
15	2354	69.48%	10	5	50.00%	50.00%	\$5,400.00	\$5,400.00
16	2354	69.48%	5	1	20.00%	80.00%	\$5,400.00	\$5,400.00
TOTALS	32721	100.00%	87	23	26.44%	95.40%	\$76,013.39	\$76,013.39

The 100+ room hotels are listed with 100+ room hotels. Of these, 23 hotels are unionized and employ a total of approximately 6,000 workers.
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Based on the following wage impact studies by Economic Independence, it is estimated that the impact of these additional income would be spent locally. The money would stay
 in the local economy and would be used by these local workers.
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Harvey Hills Plaza Hotel	10400 Wilshire Blvd	90234	5	116		72
Airtel Plaza	7277 Wilshire Ave	91405	5	766		16
Holiday Inn Express Van Nuys	8244 Van Nuys Ave	91411	5	132		41
Wybor Motel Inn	6500 Sepulveda Blvd	91411	5	112		74
Econo Motor Inn North Hills	6567 Sepulveda Blvd	91411	5	100		91
Wescon Hills Inn (Palmy Inn & Conference Ctr)	15621 Sepulveda Blvd	91445	2	116		72
Countryside Inn	14935 Roxford St	91445	7	103		63
Ritz Carlton Los Angeles	500 W. Olympic Blvd	90013	5	124		76
Wy Marriott Hotel Los Angeles	300 W. Olympic Blvd	90013	5	876		54
Radisson ISC	3340 S. Vermont St	90007	9	240		56
The Line Hotel	3515 Wilshire Blvd	90010	10	259		235
LAX Hilton and Towers	5711 West Century Blvd	90045	11	1234		753
LAX Marriott	5855 West Century Blvd	90045	11	1004		612
Shatterer Gateway	6103 West Century Blvd	90045	11	820		489
Westin LAX	5400 West Century Blvd	90045	11	740		451
Crowne Plaza LAX	5985 West Century Blvd	90045	11	515		378
Radisson LAX	6225 West Century Blvd	90045	11	591		461
Four Points LAX	8720 Airport Blvd	90045	11	573		350
Peninsula Monterey LAX	5620 Airport Blvd	90045	11	489		404
Holiday Inn LAX	3901 S. La Cienega Blvd	90008	11	463		343
In Quinta Inn	5249 West Century Blvd	90045	11	278		270
Cutlerby Inn (Marina Station, Jetway)	13360 Maxwell Ave	90045	11	285		172
Custom Inn	18339 Vanowen Blvd	90045	11	215		133
Embassy Suites LAX (Hilton)	19821 Wilshire Blvd	90045	11	219		73
Hotel Esplan	1601 Pacific Ave	90011	11	211		139
Holiday Inn Brentwood	110 North Century Blvd	90045	11	160		129
Hotel Arlington	170 N. Church St	90045	11	147		56
Travelodge LAX	15441 W. Century Blvd	90045	11	147		30

Courtney by Marriott, Inc.						
	9161 W. Century Blvd.	90035	11	75		103
Hudson Chatsworth						
Hotel & North Hills	9777 Toluca Canyon Blvd	91331	12	148		90
Staybridge Suites Chatsworth	15711 Norton Blvd	91343	12	14		70
	21502 Lassen St	91311	12	14		70
Loews Hollywood	1155 N Hollywood Ave	90028	13	597		189
W Hollywood	4750 Hollywood Blvd	90028	13	303		181
Hollywood Hotel	7000 Hollywood Blvd	90028	13	402		164
Edison Lodge with TP	1160 North Vermont Ave	90029	12	121		74
Enterprise	3000 West 3rd St	90020	12	109		64
Village Green	1405 South Figueroa St	90071	14	135		826
Brentwood	9330 Washington Blvd	90017	14	903		905
Calet Hotel	6410 S Main St	90014	14	830		384
Sherraton Downtown	711 S. South Main St	90017	14	831		385
The LA Hotel Downtown	233 S. Figueroa St	90071	14	443		270
Omni Hotel	251 South Olive St	90012	14	443		265
Doubletree by Hilton Los Angeles	121 South Los Angeles St	90012	14	443		265
Figurea Hotel	939 South Figueroa St	90015	14	232		142
Shirwell Hotel	838 South Grand Ave	90017	14	232		175
Standard downtown	1520 S. Hill St	90015	14	205		125
Union City Hotel	1020 S. Figueroa St	90015	14	188		115
Ritz Milner	515 S. Grand Ave	90071	14	188		115
Plaza Inn	813 South Flower St	90071	14	176		107
Marriott hotel	1218 East 1st St	90021	14	176		107
	203 S Hill St	90071	14	176		107
Crowne Plaza Los Angeles City Center	601 S. Santa Monica St	90071	14	245		149
Hotel on the Border	2800 Van Ness Blvd	90071	14	275		138
Hotel on the Border	1930 S. Vermont Ave	90071	14	275		138
Surfside Hotel San Pedro	528 S. Harbor Blvd	90731	15	110		67



Jeanne Min <jeanne.min@lacity.org>

Re: Living Wage -- Small hotel owners

1 message

Veronica Perez <vp@veronicaperez.com>

Wed, Jun 11, 2014 at 12:33 PM

To: Jeanne Min <jeanne.min@lacity.org>

Thank you! FYI one of the small hotels in our coalition is the Hollywood Hotel. It has 130 rooms and is owned by Jeff Zarrinam.

Sent from my iPhone

On Jun 11, 2014, at 12:28 PM, "Jeanne Min" <jeanne.min@lacity.org> wrote:

Thanks Veronica.

I'll be sharing this with the Councilmember and our policy team.

Talk to you soon,
Jeanne

On Wed, Jun 11, 2014 at 12:10 PM, Veronica Perez <vp@veronicaperez.com> wrote:

Hi Jeanne! As stated in my message to you, I represent the Small Hotel Coalition for Jobs. My clients are basically small (100-150 room hotels), family-owned hotels that are seeking to increase the room threshold of application for any ordinance that passes. I have attached the letter with our position. I believe that this item could come to Council as early as next week.

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Thank you for your consideration and I look forward to chatting with you further!

Veronica

<image001.jpg>



JEANNE MIN

Chief of Staff

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image001.jpg
19K

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Jeanne Min <jeanne.min@lacity.org>

LWO next week?

1 message

Veronica Perez <vp@veronicaperez.com>

Wed, Jun 11, 2014 at 4:05 PM

To: "jeanne.min@lacity.org" <jeanne.min@lacity.org>, "david.giron@lacity.org" <david.giron@lacity.org>

What I'm hearing:

Not confirmed, but I hear they are trying to schedule the ordinance at Council for *this coming Tuesday*. The City Attorney is working on the ordinance already and over the weekend.

I'm also hearing there is an effort to go against Krekorian's amendment to do an economic impact study before implementation.

From: Veronica Perez**Sent:** Wednesday, June 11, 2014 12:09 PM**To:** 'Jeanne Min'**Subject:** Living Wage -- Small hotel owners

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